



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769  
Telephone: (317) 232-2513  
Fax: (317) 232-4711  
[www.in.gov/sboa](http://www.in.gov/sboa)

December 26, 2024

Charter School Board  
ACE Preparatory, Inc.  
Marion County, Indiana

We have reviewed the audit report of ACE Preparatory, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of ACE Preparatory, Inc. as of June 30, 2024 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA  
Deputy State Examiner

**ACE Preparatory, Inc.**

Financial Statements  
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



# ACE Preparatory, Inc.

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# Donovan CPAs

## *Independent Auditor's Report*

The Board of Directors  
ACE Preparatory, Inc.  
Indianapolis Indiana

### **Opinion**

We audited the accompanying financial statements of ACE Preparatory, Inc. (the School) which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the results of its operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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[www.cpadonovan.com](http://www.cpadonovan.com)

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.



Donovan CPAs  
Indianapolis, Indiana  
September 25 , 2024

**ACE Preparatory, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 193,578	\$ 402,696
Grants receivable	33,042	77,866
Prepaid expenses	-	13,664
Total current assets	226,620	494,226
<b>Fixed Assets</b>		
Leasehold improvements	151,670	138,670
Furniture and equipment	316,850	316,850
Less: accumulated depreciation	(436,601)	(395,128)
Fixed assets, net	31,919	60,392
<b>Other Assets</b>		
Operating lease right-of-use asset	3,194,214	3,257,438
<b>Total Assets</b>	<b>\$ 3,452,753</b>	<b>\$ 3,812,056</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of operating lease liability	\$ 71,393	\$ 63,224
Accounts payable and accrued expenses	39,583	63,316
Refundable advances	78,093	-
Total current liabilities	189,069	126,540
<b>Long-Term Liabilities</b>		
Operating lease liability, net of current portion	3,218,661	3,245,721
Total liabilities	3,407,730	3,372,261
<b>Net Assets, Without Donor Restrictions</b>	45,023	439,795
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,452,753</b>	<b>\$ 3,812,056</b>

See independent auditor's report and notes to the financial statements

**ACE Preparatory, Inc.**  
**Statements of Activities and Change in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenue and Support</b>		
State education support	\$ 965,701	\$ 1,292,017
Grant revenue	640,677	994,606
Contributions	32,561	10,332
Interest income	13,613	6,828
Other income	10,896	24,357
Total revenue and support	<u>1,663,448</u>	<u>2,328,140</u>
<b>Expenses</b>		
Program services	1,564,605	1,899,255
Management and general	493,615	461,329
Total expenses	<u>2,058,220</u>	<u>2,360,584</u>
<b>Change in Net Assets</b>	(394,772)	(32,444)
<b>Net Assets, Beginning of Year</b>	<u>439,795</u>	<u>472,239</u>
<b>Net Assets, End of Year</b>	<u>\$ 45,023</u>	<u>\$ 439,795</u>

See independent auditor's report and notes to the financial statements

**ACE Preparatory, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2024 and 2023**

	<b>2024</b>			<b>2023</b>		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 822,963	\$ 185,979	\$ 1,008,942	\$ 1,097,282	\$ 139,475	\$ 1,236,757
Occupancy	380,732	-	380,732	340,434	-	340,434
Professional services	67,835	129,940	197,775	49,028	138,635	187,663
Employee benefits	60,046	108,339	168,385	79,511	109,091	188,602
Food costs	118,332	-	118,332	135,895	-	135,895
Depreciation	41,473	-	41,473	59,889	-	59,889
Insurance	-	25,202	25,202	-	20,143	20,143
Classroom and office supplies	12,027	11,026	23,053	31,087	15,370	46,457
Textbooks and equipment	22,722	-	22,722	31,785	-	31,785
Repairs and maintenance	17,551	-	17,551	39,709	-	39,709
Information technology	16,549	-	16,549	29,106	-	29,106
Authorizer oversight fees	-	8,752	8,752	-	7,866	7,866
Community relations	-	5,200	5,200	-	13,552	13,552
Field trips	4,375	-	4,375	5,529	-	5,529
Other	-	19,177	19,177	-	17,197	17,197
Total functional expenses	<u>\$ 1,564,605</u>	<u>\$ 493,615</u>	<u>\$ 2,058,220</u>	<u>\$ 1,899,255</u>	<u>\$ 461,329</u>	<u>\$ 2,360,584</u>

See independent auditor's report and notes to the financial statements

**ACE Preparatory, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ (394,772)	\$ (32,444)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	41,473	59,889
Non-cash expense of operating lease right-of-use asset	44,333	14,911
Change in certain assets and liabilities:		
Grants receivable	44,824	166,192
Prepaid expenses	13,664	3,088
Accounts payable and accrued expenses	(23,733)	(20,035)
Refundable advances	78,093	-
Net change in cash from operating activities	<u>(196,118)</u>	<u>191,601</u>
<b>Investing Activities</b>		
Purchases of fixed assets	(13,000)	(13,000)
<b>Financing Activities</b>		
Repayments to landlord for construction costs	<u>-</u>	<u>(155,800)</u>
<b>Net Change in Cash</b>	(209,118)	22,801
<b>Cash, Beginning of Year</b>	<u>402,696</u>	<u>379,895</u>
<b>Cash, End of Year</b>	<u>\$ 193,578</u>	<u>\$ 402,696</u>

See independent auditor's report and notes to the financial statements

**ACE Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 1 – Nature of Activities**

ACE Preparatory, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school under Indiana Code 20-24 and is sponsored by the Indiana Charter School Board (ICSB). During the 2023-2024 and 2022-2023 school years, the School served approximately 120 and 150 students in kindergarten through fifth grade, respectively.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2024 and 2023, the School had only net assets without donor restrictions.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2024 and 2023.

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standards update did not have a material impact on the School's financial position or the result of its operations and cash flows.

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for credit losses is deemed necessary.

**ACE Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Fixed Assets

Purchases of assets and expenditures over \$1,000 are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements	5 years
Furniture and equipment	3 to 5 years

Taxes on Income

The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through September 25, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**Note 3 – Revenue Recognition**

Revenue Recognition Policy

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

**ACE Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 3 – Revenue Recognition (Continued)**

The School also receives contributions and grants from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue

Revenue is disaggregated on the statements of activities and change in net assets.

**Note 4 – Going Concern Considerations**

The accompanying financial statements have been prepared assuming the School will continue as a going concern. The School suffered a negative change in net assets during the years ended June 30, 2024 and 2023 of approximately \$395,000 and \$32,000, respectively. The School incurred a net cash outflow of approximately \$209,000 during the year ended June 30, 2024. If this trend continues, these factors could threaten the School's ability to continue as a going concern.

The School's leadership is aware and actively addressing the financial challenges mentioned in the previous paragraph. ACE Preparatory has implemented strategic measures to improve its financial outlook. The School is focusing on boosting enrollment, which is a key priority. Additionally, the School has collaborated with its financial services provider to create a comprehensive fiscal year 2025 budget that aims to meet its obligations. The School is actively pursuing new revenue streams, with a focus on identifying and securing additional grant opportunities to support its long-term sustainability.

**Note 5 – Refundable Advances**

The School was awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable grant advances totaled \$78,093 at June 30, 2024. There were no refundable advances at June 30, 2023.

**Note 6 – Leases**

The School leases its facility from an unrelated party through June 30, 2042. The School determined the lease falls under ASU 2016-02 and as such recorded an asset and liability presented on the statements of financial position as an operating lease right-of-use asset and operating lease liability. The lease requires payments over the life of the lease increasing from payments of \$17,708 to \$27,700 per month. Rent expense is reported on a straight-line basis of \$23,089 per month. Rent expense under this lease totaled \$277,066 and \$277,065 for the years ended June 30, 2024 and 2023, respectively.

**ACE Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 6 – Leases (Continued)**

Future minimum payments under the non-cancellable operating lease are as follows for the years ending June 30:

2025	\$	237,388
2026		242,135
2027		246,978
2028		251,918
2029		256,956
Thereafter		3,844,640
Total payments		5,080,015
Less: imputed interest at 5.25%		(1,888,801)
Add: straight-lining rent liability		98,840
Total operating lease liability		3,290,054
Less: current portion		(71,393)
Long-term portion		\$ 3,218,661

**Note 7 – Retirement Plan**

The School established a retirement plan allowing employees to make salary deferral contributions and providing the School will make contributions at its discretion. For the years ended June 30, 2024 and 2023, the School contributed a 3% match of defined compensation to each contributing employee's retirement account. Retirement plan expense was \$13,901 and \$12,181 for the years ended June 30, 2024 and 2023, respectively.

**Note 8 – Commitments**

As the sponsoring organization, ICSB exercises certain oversight responsibilities. The charter agreement remains in effect until June 30, 2026 and is renewable thereafter by mutual consent. ICSB assesses a fee in an amount equal to no more than 3% of the total amount received by the School. The authorizer oversight fees were \$8,752 and \$7,866 for the years ended June 30, 2024 and 2023, respectively.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur, which has been established and is included in the balance of cash on the statements of financial position.

**Note 9 – Risks and Uncertainties**

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

**ACE Preparatory, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 9 – Risks and Uncertainties (Continued)**

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Cash deposits maintained at The National Bank of Indianapolis are insured up to the FDIC insurance limit of \$250,000. Throughout the years ended June 30, 2024 and 2023, cash balances exceeded the FDIC insurance limit. As of June 30, 2024, cash balances were under the insurance limit.

**Note 10 – Liquidity**

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$196,620 and \$450,562 as of June 30, 2024 and 2023, respectively, which includes all financial assets except the \$30,000 escrow account (Note 7).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 11 – Functional Expense Reporting**

The costs of providing educational activities are summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**ACE Preparatory, Inc.**  
**Schedule of Lead Auditor**  
**For the Years Ended June 30, 2024 and 2023**

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Auditor Information:           Donovan CPAs  
  9292 N. Meridian Street, Suite 150  
  Indianapolis, IN 46260

Phone Number:                 (317) 844-8300

Fax Number:                    (317) 745-6545

Auditor Contact:               Benjamin A. Lippert, CPA

Auditor Contact Title:         Partner

Auditor Contact Email:        blippert@cpadonovan.com